

INTRODUCTION

BUILDING RETURN ON INVESTMENT

Times Media's Retail Awards Survey helps clients to maximise their advertising rands

Alf James

THE ANNUAL *The Times/Sowetan* Retail Awards Survey continues into its seventh year and maintains a highly credible platform in the South African marketing arena, providing a representative snapshot across 20 retail categories.

"We invest into the Retail Shopper Survey's market research in order to give back to the sector, which represents an important segment of our advertisers," says Trevor Ormerod, general manager: group sales for Times Media. "Our research is taken very seriously by retailers, as it's among the most pre-eminent retail surveys in the country.

"The results and awards of the survey are handed out in one-on-one presentations, which allow the retailers to gain a strategic understanding from user, non-user and relative-advantage perspectives. The one-on-one presentations also allow us to develop our relationships with Times Media's retail-sector clients and share insights, which helps us to offer them diagnostic advertising opportunities that are specifically aligned to their goals and strategies," says Ormerod.

This year's *The Times/Sowetan* Retail Awards continues within the same framework and methodology of last year – based on the concept of relative advantage.

Ormerod explains that the winning index score is calculated by using a retailer's relative advantage on the delivery scale compared to ratings within a category, and is finally derived from the actual usage of a retailer in a specified time period; the rating it receives from its users relative to others in the category; and the rating it receives from those non-users aware of it, also relative to competitors in the category.

The strength of competitors must be taken into account in any assessment of a retailer's relative advantage.

Similarly, by looking at the non-user ratings, some idea of a retailer's relative "attraction" among non-users is gained, which is a good indication of its relative ability to attract new users.

Ormerod says this year's awards take place in a challenging retail environment in which many consumers are finding it difficult to make ends meet as living costs increase, wage growth is arrested, job creation stalls, and debt continues to mount.

"The increases in costs have



Pic: Raymond Preston, Sunday Times

knocked the consumer, who has less disposable income, which has resulted in tight trading conditions for the retailer."

However, he states that, according to the recent Deloitte *2014 Global Powers of Retailing* report, despite increased economic pressures and rising inflation costs, the South African retail industry performance figures remain largely in check with international retail performance trends.

Ormerod says the Deloitte report, which unpacks the mechanics of the South African retail industry, reveals that five of South Africa's top retailers featured on the list of the world's 250 largest retailers, contributing an estimated total of \$4.3 trillion into global retail revenues measured from June 2012 to June 2013.

The listed South African Retail-

"The results allow the retailers to gain a strategic understanding from user, non-user and relative-advantage perspectives"

ers are Shoprite, which ranked in 94th position; Steinhoff International Holdings (otherwise known as the JD group) in 125th position; Pick n Pay in 137th position; Spar Group in 172nd position; and Woolworths entering at 234th.

Furthermore, the Deloitte report says inspection into annual sales figures indicated promising growth yields when compared to developed markets. The seven African and Middle Eastern companies (of which South Africa accounts for the above five) listed revenue growth of 13.5% and net profit margins of 4.4%, when compared to the 4.9% revenue growth and 3.1% net profit margins of developed markets.

According to the report, growth of local retail sales revenue will be severely hindered by the following economic constraints: low consumer confidence; higher interest rates and fuel prices; unfavourable economic indicators, such as GDP, CPI, PPI; and weakening rand value.

"This puts inflationary pressure on consumer goods, further stretching the reach of the consumer's purchasing power. Local retailers have the difficult task of adapting marketing strategies to the fast-changing economic conditions," says Deloitte.

However, Ormerod says the Retail Awards Survey assists Times Media to work as tactically and strategically as possible, together with clients, to maximise every advertising rand they spend with the newspapers, taking into consideration that they are working with tight advertising budgets in a challenging retail environment.

He says Times Media is focused on building return on investment (ROI) for its retail clients that is based on sound research, strategy and learning from the Retail Shopper Survey, which also confirms that:

- Newspapers are used extensively by consumers when looking for special deals, especially for groceries, furniture, appliances, clothing, cellphones and jewellery, among other retail products;
- Many newspaper inserts persuade consumers to try out stores they don't usually frequent;
- Eight in 10 readers find newspaper advertising either very relevant or relevant;
- Eight in 10 readers look at ads and inserts, while one in three take them with them on their shopping trips; and
- Newspaper inserts provide value to shoppers, are the most convenient for shoppers to use, and contain advertising that shoppers look forward to most.

THE RESEARCH

THE METHODOLOGY

The Times/Sowetan Retail Awards are undertaken in partnership with TNS South Africa

A TOTAL OF 2 750 adults aged 18 years and older were interviewed – 2 000 in the metropolitan areas and 750 in non-metropolitan areas of South Africa.

The final results have been weighted to represent the population according to StatsSA 2013 mid-year population estimates.

The survey uses three questions to determine a retailer's relative advantage against competitors:

1. Retailer used within a defined time period (this period differed for each category).
2. Retailers with which people

were familiar enough to rate on a 10-point scale.

3. The actual rating of all those retailers on a 10-point scale.

These provide an understanding of the retailer's penetration in the market, while also examining its relative strength among its users and its relative attraction among non-users. An index score for each retailer is derived from these questions and takes into account the actual usage of a retailer in a specified time period, the rating it receives from its users relative to others in the category, and the

rating it receives from those non-users aware of it, also relative to competitors in the category. The non-user rating carries only half the weight of the user rating in the final algorithm. A winner occurs in one of three situations:

1. If it is big AND rated above average by both its users and its non-users.
2. If it is truly big but perhaps only rated as average by its users and non-users.
3. It is smaller but very well loved by its users and is strongly aspired to by its non-users.

– Shirley Jeoffreys, innovation partner, TNS South Africa

The Times Sowetan

RETAIL SURVEY 2014

4 / Shoprite's low-price promise

5 / A good year for Clicks

6 / All the winners



TNS



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in the 2014 Times Sowetan Retail Survey



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TRENDS

Consumer convenience drives diversification for major grocery retailers

Alf James

THE EXPANSION into diverse product segments by big grocery retailers is paying off, with those that have diversified taking top honours in multiple categories in the Retail Shopper Survey.

This would indicate a demand among consumers for greater convenience in retail, evidence supported by Mark Robinson, group liquor manager at the Spar Group, who says the diversification of Spar and Tops at Spar has certainly played a role in the group's success, as it has brought consumers a more complete offering.

"This is reflected in the rule governing a Spar owner having a Tops at Spar store: the Tops at Spar store should preferably be located next to the Spar, in the same centre or, worst-case scenario, within 'line of sight' of the Spar store, which enables our consumers to shop at both stores with maximum convenience.

"There is definitely a demand from our consumers for greater 'ease of shop' with improved convenience, so, besides offering the ranges that a Kwikspar, Spar or Superspar does, with a Tops at Spar situated close by, consumers have a full liquor offering as well," says Robinson.

According to Neil Schreuder, marketing director at Shoprite Checkers, being able to do more than just grocery shopping at a supermarket is not only very convenient for shoppers, but also saves them money, and ultimately

drives customer loyalty for the supermarket.

"With fuel prices skyrocketing, it becomes very expensive for consumers to do multiple trips for everything they need – by offering different product and service segments under the same roof that consumers do their grocery shopping, we are able to save them money and time."

Furthermore, Schreuder says expanding Shoprite Checkers' business into diverse consumer segments required relatively low investment, since the retailer already had the infrastructure and back-end to be able to seamlessly incorporate the various segments into their supermarket stores.

He says Shoprite has done well in sectors that have not been its core business, such as small appliances, specialist entertainment and Medi-Rite in-store pharmacies.

"We've managed to attract new customers who would not ordinarily have come to us for their specific needs. In the process, we've managed to convert some of those customers into becoming loyal grocery shoppers. We're also offering our existing grocery

"We've managed to attract new customers who would not ordinarily have come to us for their specific needs"

shopper access to these product categories and services at a lower cost, which again benefits our customer loyalty," says Schreuder.

The expansion by South African supermarkets into diverse consumer segments is a reflection of an international trend, which has already been evident in the UK for some time.

According to Key Note Publications' *Supermarket Services 2013* report, over the past couple of decades, UK supermarkets have been expanding and diversifying their activities, with many now offering a wide range of services, such as financial products, utilities, restaurants and catering facilities, telecommunications and Internet services, health products and pharmacies, and a number of miscellaneous services, such as digital entertainment portals, drycleaning



Neil Schreuder, marketing director at Shoprite Checkers

and automotive services.

The report says there has recently been a push by many of the major multiple retailers to expand within the financial services sector. For example, both Tesco and Marks & Spencer (M&S) embarked on significant expansion plans for their respective banking businesses, with Tesco launching mortgage products for the first time during August 2012, and M&S announcing plans to introduce a chain of 50 in-store banking

branches in some of its larger shops across the UK over the next two years.

More recently, Sainsbury's announced that it had taken full control of its financial business, Sainsbury's Bank, after revealing that it had acquired the remaining 50% share of the business from original partner Lloyds Banking Group.

Other service sectors, such as health and pharmacy, have also observed significant growth in recent years, with several of the leading supermarket retailers now operating a range of in-store facilities. Sainsbury's, for example, which now runs a chain of 270 in-store pharmacies, has recently developed a new general practitioner (GP) surgery programme, with the retailer now hosting around 35 in-store National Health Service (NHS) GP or nurse-led practices, as well as 12 dental surgeries, while The Co-operative Group manages the third-largest chain of pharmacies in the UK, comprising around 781 outlets.

More recent market trends have seen supermarkets expand into areas such as digital entertainment, with both Sainsbury's and Tesco launching new on-demand video streaming services online.

The *Supermarket Services 2013* report predicts that the future is likely to see a renewed emphasis on the development of larger supermarket outlets as "retail destinations", which offer a range of in-store services such as banking branches, restaurants and grocery shopping, and have been designed to encourage shoppers to spend more time in-store.

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IT'S A LOW-PRICE PROMISE

Gaye Crossley

SHOPRITE HOLDINGS, it seems, can do no wrong in the eyes of the public, yet again taking top spot in the Grand Prix category in *The Times/Sowetan Retail Awards 2014*. The retailer also came in second in the Household Appliance category and third in the Specialist Entertainment category. Furthermore MediRite, Shoprite's in-store pharmacy brand, moved into second place, ahead of Dis-Chem, in the Specialist Pharmaceutical Outlets category, which was won by Clicks.

Understanding the key to Shoprite's success is simple, believes Neil Schreuder, marketing director of Shoprite Checkers. He says: "Consumers like the simplicity of the brand and what it promises customers, and the fact that we manage to consistently deliver on our core, low-price promise."

Affordable pricing is a major drawcard for South Africans consumers, who are feeling the pinch in a sluggish local economy. Schreuder says: "Offering customers the lowest prices is more than just a marketing strap-line; it truly is our mantra as a business. As a brand we've managed to assist customers by providing the lowest possible prices on basic food items, satisfying a basic consumer need."

In the past year alone, says Schreuder, Shoprite has subsidised the price of 329 tons of sugar; 8.7 million loaves of bread; 2.2 million litres of cooking oil; 2.6 million litres of milk; 700 tons of maize and 1.675 tons of rice.

Shoprite is also able to tailor its consumer experience within the various grocery store brands in the group's portfolio. The Shoprite brand, for example, targets shoppers in the LSM 4-7 band, Checkers is aimed at more affluent LSM 8-10 shoppers, and USave is the group's no-frills discount store for LSM 1-5. Shoprite Holdings' other brands include: Checkers Hyper, OK Furniture, OK Franchise, OK, House and Home, Checkers, Checkers Hyper Liquor Shop, Shoprite Liquor Shop, Hungry Lion, MediRite and TransPharm, the

Shoprite Holdings enjoys a 34% market share in South Africa's formal food retail sector

group's pharmaceutical wholesalers.

Currently Shoprite Holdings enjoys a 34% market share in South Africa's formal food retail sector, says Schreuder, and the group as a whole serves 22 million people, or 58% of the country's adults. Even so, 2014 has seen the retailer work hard to secure an even greater retail share. Schreuder notes: "Market share is obviously a key metric for any business in any industry, since it's a reflection of your success relative to competitors." But it is about more than just succeeding against the competition; market share is pivotal to the retailer's strategy to continue to be "the low-price champion". By boosting the group's bargaining power, it allows it to pass even greater savings onto the consumer.

Increasingly Shoprite is also focused on enticing customers with a one-stop-shop experience. In-store ranges such as household appliances and entertainment lines, together with the MediRite pharmacies and Liquor-Shop outlets, have been designed to ensure that customers do not have to shop-hop in order to cross items off their shopping lists. The group has even incorporated Computicket booths and a Money Market concept – which allows customers to make money transfers and pay for transport tickets and utility bills in-store – into its outlets. Schreuder believes these conveniences, which save customers time and money, will ultimately drive increased customer loyalty. And this loyalty is certainly reflected in the results of the Retail Awards in 2014.

"We see these awards as vote of confidence from our shoppers, which suggests that we must be doing something right, and it serves as motivation to keep on delivering on our promise to our customers," concludes Schreuder.

GRAND PRIX



AN AFRICAN SUCCESS STORY

SHOPRITE has succeeded in Africa, where many of its competitors have failed. To date the company has 241 stores beyond South Africa's borders.

Marketing director of Shoprite Checkers, Neil Schreuder, attributes the group's success on the continent to first-mover advantage. "We opened our first store outside South Africa in Zambia in 1995, which was well before any of our competitors ventured there. This allowed us to cut our teeth at a time when most African countries were still a lot less developed infrastructure-wise."

Timing may have benefited Shoprite, but so has a model suited to the African consumer, with the group's brand

promise of keeping food pricing as low as possible resonating with customers. Schreuder also believes the group's corporate culture is suited to the African environment. "Shoprite has a team of people with an appetite for risk that does not shy away from challenges," he says.

Shoprite stores can now be found in Angola, Botswana, the Democratic Republic of Congo, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Expansion in these countries has helped to boost the group's 2014 turnover by 9.7%, even with a slowdown in the South African market.

QUICK FACTS

- 1 948 stores in 17 African countries, 241 outside South Africa
- 1 046 supermarkets, 169 outside South Africa

- Expected 2014 turnover: R102.2 billion
- 2014 expected earnings before interest, taxation, depreciation and amortisation: R8.7 billion
- Ranked as the 94th-largest retailer globally in Deloitte's Global Powers of Retailing 2014 survey.

ANALYSIS

SATISFACTION GUARANTEED

Linda Doke

IT WAS AMERICAN business magnate Warren Buffett, the most successful investor of the 20th century, who observed that it takes 20 years to build a reputation and just five minutes to ruin it. He wisely added that if one thinks about that, one will do things differently.

This may be true of personal reputation, and in commerce, but it's no different for companies in the retail sector. Positive customer experience is integral to success in the retail sector. A negative retail experience, no matter how small or simple the happening may be, has the power to ruin a person's opinion of an outlet forever and, worse still, have that person spreading the negativity far and wide.

And let's face it, bad news goes viral faster than good news.

In retail, a brand's reputation is everything. Retailers place enormous value on being aware of what transpires when the shopper interacts with their brand, and on ways in which they can continuously meet customers' expectations and enhance the shopping journey.

BMI Research mystery shopping and quality assurance manager Sandra Steenkamp says retailers need to continuously adapt and evolve in order to meet the ever-changing expectations of customers and to drive brand loyalty.

"Customer experience is compellingly influenced by the standards with which expectations are

met, and centres around product, quality, pricing, range and availability, service levels including staff attitude, professionalism and product knowledge, and the store environment – the look, feel and atmosphere of the store," says Steenkamp.

Also key to the shopping experience are factors such as convenience, ease of shopping, and accessibility to information that assists with buying decisions.

Steenkamp adds that mobility has been a central player in successful retail.

"Factors such as best pricing or best selection are no longer enough to differentiate the offering for consumers"

"Retailers have to think innovatively to keep abreast of competitors. Key drivers of satisfaction fluctuate with time, and retailers need to be cognisant of these by listening to the customer."

Customer experience is one of the biggest drivers of brand choice. Says Yellowwood marketing manager Alister Mackay: "The essentials have to be covered. Firstly, the human aspect is crucial – training staff to be

friendly and helpful is a huge step towards achieving customer goodwill.

"Shop floor design is vital – space is a merchandising Achilles for retailers. The luxury of spacious aisles may be expensive in terms of area, but, if laid out properly, they're worth every valuable metre."

Mackay believes South African retailers can learn a lot from big-name companies internationally that are implementing experiential branding, an innovative process by which brands create and drive sensory interactions with consumers to emotionally influence shoppers' preferences and actively shape their perceptions of the brand. Such interactions involve communication of the overall message, brand space, and intricacies of product and service elements.

He maintains that customers are hugely influenced by their experience in-store.

"The more powerful the experience for the consumer, the stronger the brand impression. This in turn affects customer satisfaction and brand loyalty," says Mackay.

US retailer Abercrombie & Fitch, for example, uses all of the senses to create a retail experience specifically designed to appeal to a select target market – signature cologne is released into the air, lighting is dimmed and heavy-beat music played to simulate a nightclub feel.

Craig Perry, head of sales at DMX

Africa, believes times have changed for retailers because consumers now expect a lot more than a homogenised shopping experience.

"Factors such as best pricing or best selection are no longer enough to differentiate the offering for consumers. It's now essential to build stronger connections with customers – if you are not able to create a reason for them to come into your store, they'll simply purchase the product elsewhere or online."

Perry says experiential design gives consumers an interaction they cannot get online; it is the integration of every aspect of the customer experience, with each element working together to convey your distinct brand personality and enhance your brand strategy.

"It's about engaging the customer, enhancing their experience over and above the product you're selling, the knowledge of your staff, the look of your store. It's about the visual impact, the sound, the scent, the ambience of the environment. Each of these factors on their own may not be compelling enough or exceptional, but combined they form a unique experience that is far more impactful, and resonates with the market you're targeting," says Perry.

Michaela Murning, head of retail and shopper at TNS South Africa, considers that the philosophy of high-touch and low-touch retailing also plays a substantial role in successful retailing.

"High-touch retail is about cus-

tomers service. Shoppers love attention and being made to feel special – cosmetic stores and cosmetic sections within department stores are great examples, as is the growth of customer loyalty programmes," says Murning.

Another type of high-touch retail is the branded coffee shop within a larger store, such as Woolworths Café, and the standalone sushi and food outlets within Food Lovers' Market. These help to make shopping less functional and more of a multifaceted experience.

"Good customer service, however, escalates labour costs – you cannot cut labour costs and still promise great service," points out Murning.

The low-touch retail model focuses on providing product value for the customer. Good examples include Game, and quick-service food restaurants such as McDonald's, KFC, Nando's and Steers.

Murning observes that low-touch retail is very successful in South Africa, as price value plays a strong role in consumer decision.

"Game and Makro are the two new entries to the Grand Prix category this year, both of them extensive users of the low-touch retail model."

All industry players know that creating a positive shopping experience for customers is crucial for retail success. Not only do these translate into repeat business and greater brand loyalty, but also lead to higher customer expectations. That way, the retail wheel keeps turning ...

Linda Doke

PROFILE

A PRETTY GOOD YEAR

Clicks has performed well in all sectors in which it is active

THE CLICKS BRAND in South Africa is huge. Whether they've shopped in the store or not, practically every South African over the age of 18 knows of it, and is likely to have at least been into one of its more than 440 stores around the country.

Referring to itself as the brand that "speaks to those who appreciate value for money, and solid pharmaceutical and health advice... and care about the way they look, feel and live", Clicks appeals to a wide range of South Africans from all income levels.

More than just a health and beauty retailer, Clicks is prominent in the pharmaceutical sector, and has a significant presence in the household appliance category of retail.

TNS Global innovation partner Shirley Jeffreys says the retailer performed well in every sector in which it is active. Not only did the brand win the Specialist Health and Beauty category yet again, but it significantly increased its margin on Dis-Chem nationally and from a metro perspective.

Similarly, the results show Clicks dominates the pharmaceutical category, extending its lead over competitors Medi-Rite and Dis-Chem even more convincingly than in previous years.

The news is also good for the retailer in the household appliance sector, which sees the brand shifting up from fifth position last year into third place behind Shoprite and Game.

Clicks also climbed in the Retail Grand Prix ranks, moving up from fourth to third, not far behind Pick n Pay, but still at least nine index points behind outright leader Shoprite.

Jeffreys points out that Clicks performed well on both its user and non-user ratings, showing that not only is the brand popular among Clicks shoppers, but that the brand also rates highly in the perception of consumers who do not shop at the retailer.

"Customers' experience ratings of the Clicks brand have increased significantly this year. A score over 9 is phenomenal; it's seldom seen."

Jeffreys maintains that one of the reasons for the retailer's outstanding performance is its ability to continue to appeal to consumers through tough economic times.

"The economic dip in South Africa this past year has put shoppers under pressure. Clicks has played into this very well, creating an opportunity in its household appliance department for lower-value assets for the home, such as affordable crockery, kitchenware and electrical products," says Jeffreys. Clicks Group Limited CEO David Kneale attributes the company's success to its offering of consistent value through good everyday prices, great monthly promotions, and the most generous rewards programme of any major retailer in South Africa.

"Customers don't want to have to sacrifice quality to have value. Consistent value is crucial for successful retail – it's all about earning customers' trust. Trust is particularly important for a health and beauty retailer – people need to be



"Getting the basics right is fundamental – the classic saying is true: retail is about detail"

able to rely on the quality of medicines, skincare and baby products."

Kneale explains how Clicks manages to retain customers through difficult economic times, without them feeling too cash-strapped to shop.

"Over the past year we've stepped up the level of product promotion by introducing the concept of pay-day savings, in which we offer particularly big discounts on everyday products for one week over month-end. We're also the pioneer in South Africa of the three-

for-the-price-of-two concept, enabling shoppers to buy in bulk, yet save."

Kneale believes continued investment in the customer experience is another aspect that should never be compromised. In the past year Clicks has spent some R150 million on new stores and refurbishing current stores so they continue to look bright, modern, uncluttered and well-presented.

Staff training plays a large role in the retailer's ability to pay attention to its customers.

"Knowledgeable and helpful staff who are visible and friendly to the customer is essential. Getting the basics right is fundamental – the classic saying is true: retail is about detail," says Kneale.

Innovation plays a key role in the brand's continued success. Playing a prominent role across several retail categories calls for careful focus, to ensure 100% attention and energy is given to each sector.

"Our core business is health, beauty and wellness. Yet within our household appliances division we ensure that our buying team seeks out innovation, not only in product, but in presenting those products to customers in ways that are appealing and affordable."

Kneale and his management team clearly have their finger on the pulse of South African retail. What success in this game boils down to, says Kneale, is simple: you either delight your customers or you go out of business.

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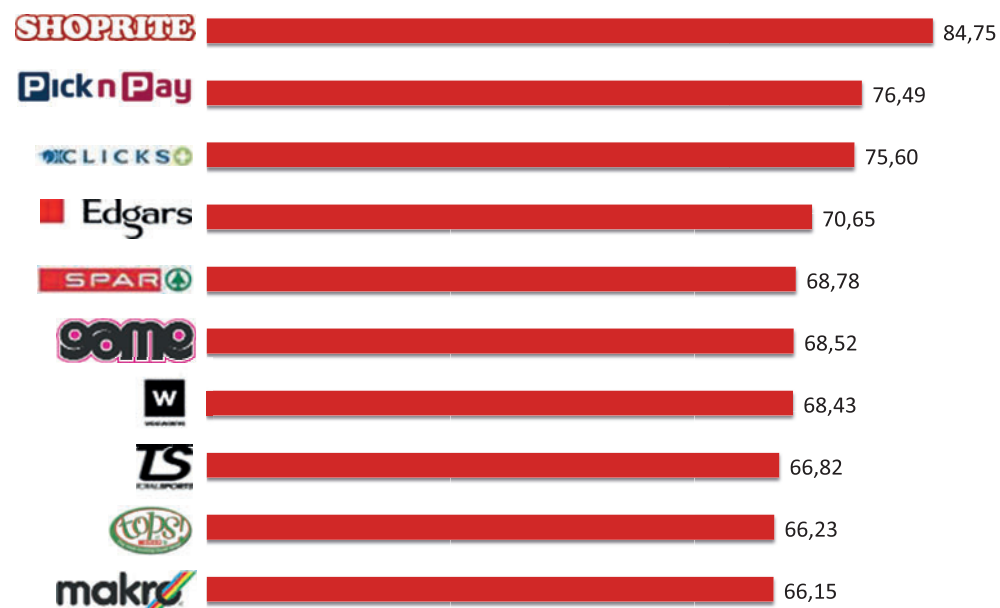
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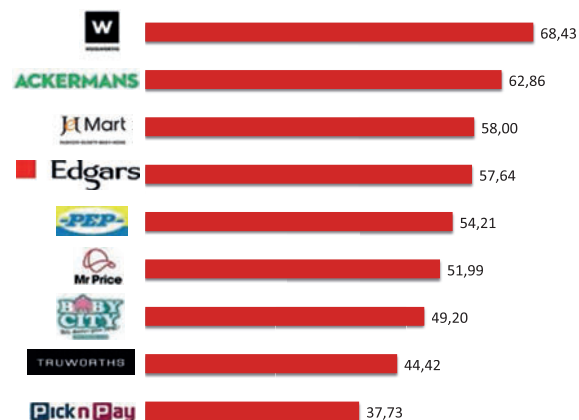
As voted by savvy South African shoppers, these are the ...

RETAILERS WITH THE ADVANTAGE

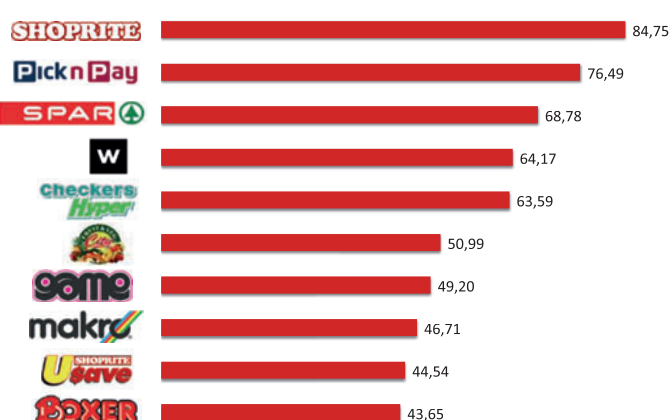
GRAND PRIX



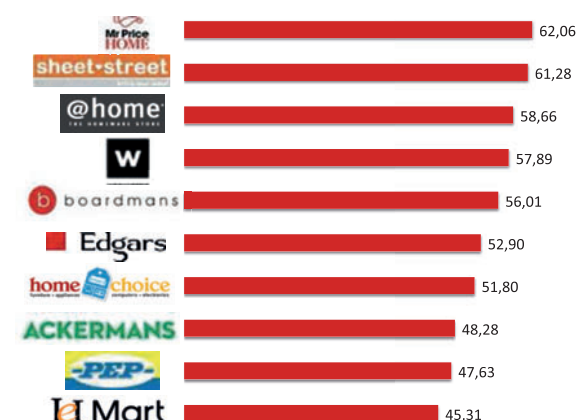
CHILDREN'S AND BABY CLOTHING STORES



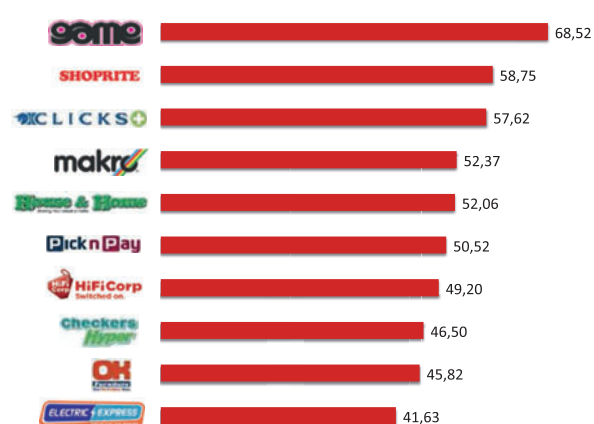
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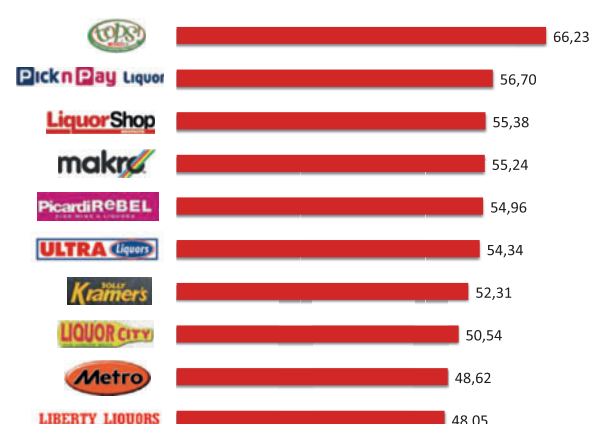
HOUSEHOLD APPLIANCE STORES



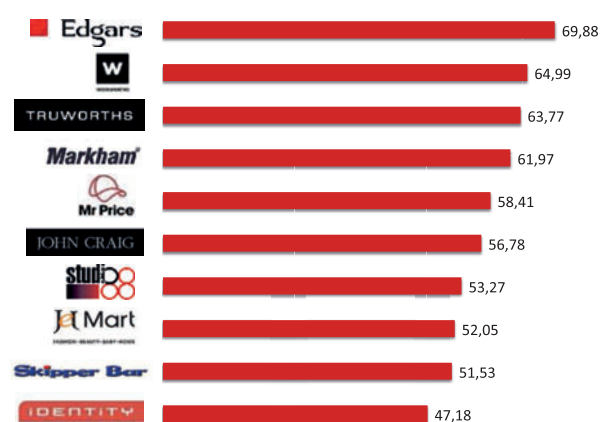
JEWELLERY STORES



LIQUOR STORES



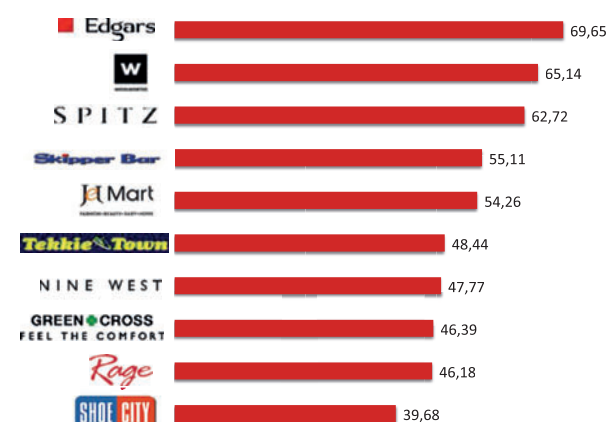
MEN'S CLOTHING STORES



ONLINE STORES



SHOE STORES

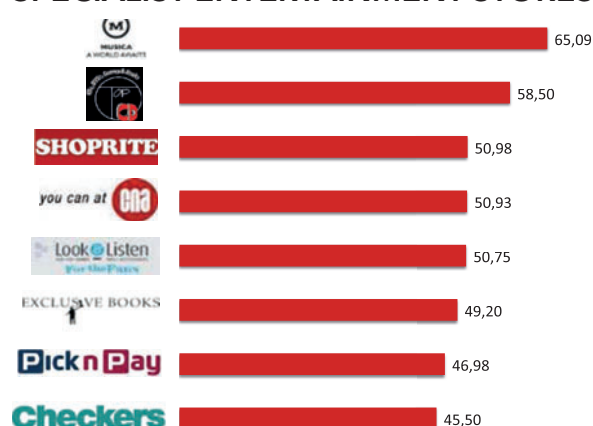


The Times Sowetan RETAIL SURVEY 2014

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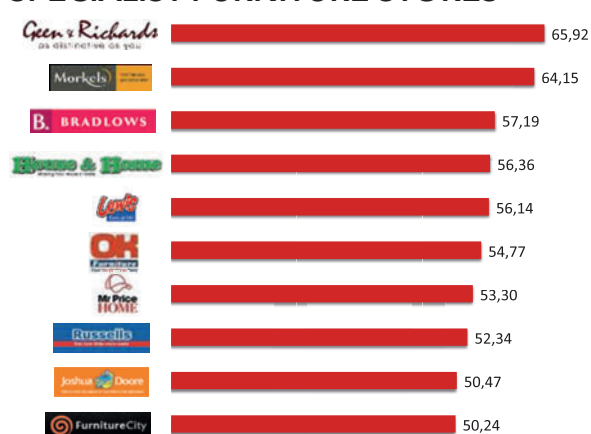


SPECIALIST ENTERTAINMENT STORES

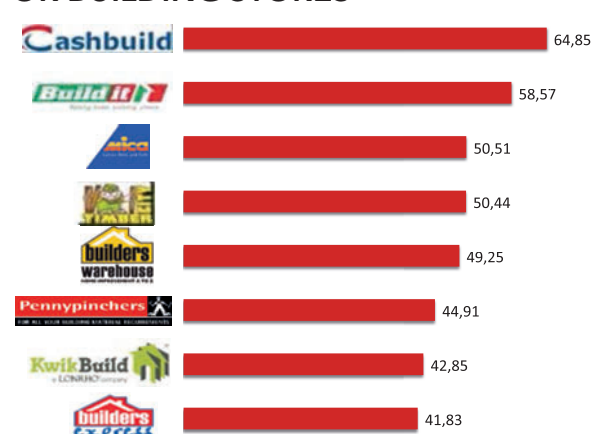


TNS

SPECIALIST FURNITURE STORES



SPECIALIST HARDWARE OR BUILDING STORES



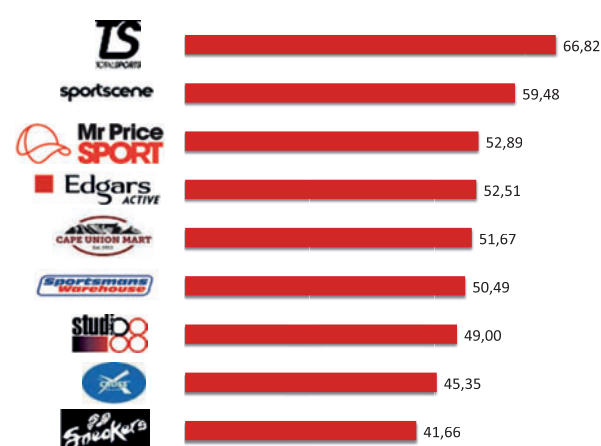
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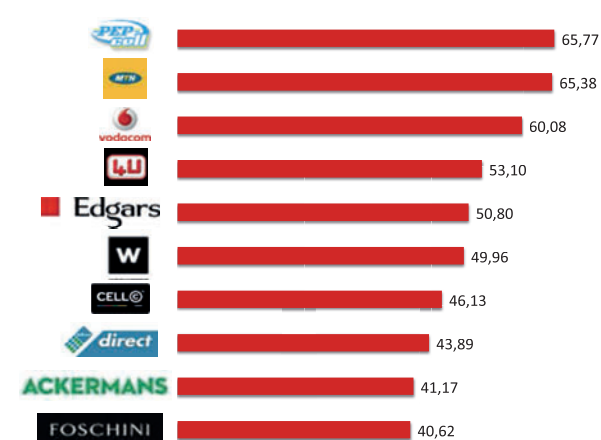
SPECIALIST PHARMACEUTICAL OUTLETS



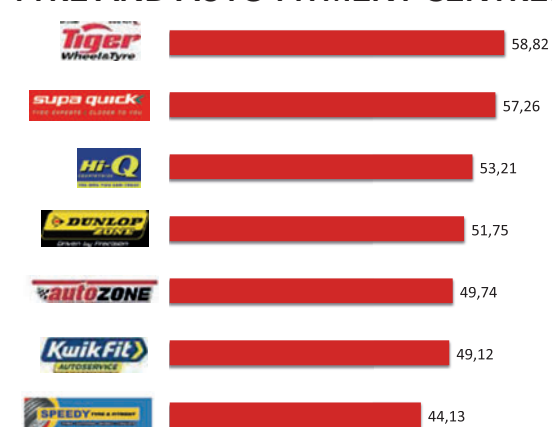
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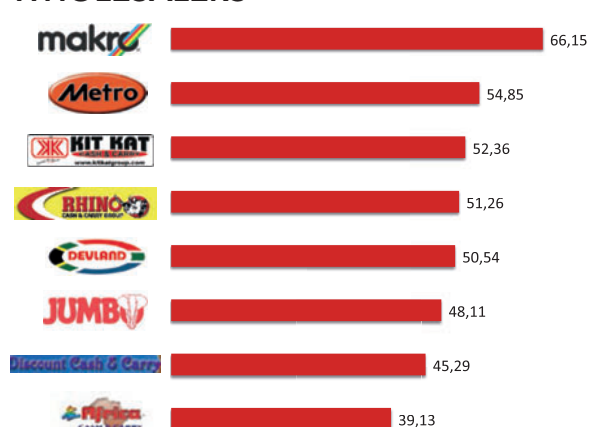
TELECOMMUNICATION STORES



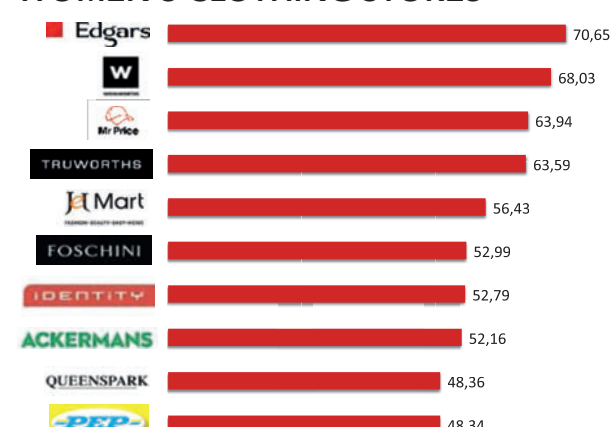
TYRE AND AUTO FITMENT CENTRES



WHOLESALEERS



WOMEN'S CLOTHING STORES



INTERVIEW

LIVING BY
ITS VALUES

IN AN INCREASINGLY competitive world, people forget there is a war going on in every sector of business, and none more so than in retail. All retailers are constantly looking beyond their core business models to gain competitive advantage. They are doing this by continually investing in the future, and never stopping in their efforts to better understand the complex and continually changing shopper behavioural patterns.

One of the key challenges for retailers, as summed up earlier this year by Interbrand Group CEO Jez Frampton, is: "Adapting retail formats to accommodate the shift in consumer preferences for e-commerce is proving to be the key to success for many retailers worldwide. Retail brands must be more agile, flexible and responsive than ever before."

This is what Woolworths group CEO Ian Moir had to say:

JEREMY SAMPSON: WHAT ARE YOU SEEING AS THE MAIN TRENDS AMONG YOUR CONSUMERS IN SOUTH AFRICA?

Ian Moir: Woolworths customers have always been very loyal, and so far we have been relatively insulated from some difficult economic times because our LSM tends to be more resilient, even when the going gets tough.

Our customers expect a lot from Woolworths, both in terms of product and the story behind it. At the same time as our customers want to see increased choice, quality and fashionability, for instance, they also want to know where their food comes from, what we are doing to create a more sustainable South Africa and which chemicals we use to dye our jeans.

I'd like to think we live up to their expectations by being world-class in what we offer our customers and that's why they stay loyal.

This has been a good year for the company, with us winning South Africa's top reputation and customer service awards, so while we are always improving, we must be doing something right.

I RECALL A CEO OF ANOTHER TOP RETAILER TELLING ME, SOME YEARS AGO, A SALE LOST TODAY IS A SALE LOST FOREVER. IS THAT STILL TRUE?

Absolutely. Every sale counts and we try hard to keep every customer coming back for more.

Our customer loyalty programme remains the jewel in our crown. Right now we can track more than 70% of our sales and we can target our communications to customers to make sure we are giving them what they want, when they want it. It also means that the more you shop with Woolworths, the more you are rewarded, and we are seeing the results of this with our customers shopping more, and more frequently.

Customers make decisions every day about where to shop, and every visit to one of our stores, every email, every sms and every marketing campaign is crucial in communicating and reinforcing the Woolworths difference.

THE INTERSECTION OF PHYSICAL RETAIL VS DIGITAL: IS IT REALLY THAT CRUCIAL LOCALLY?

This is a crucial area for Woolworths and we are committed to becoming South Africa's foremost omnichannel retailer. We've invested in this platform for the long term and are starting to see that strategy bear fruit – for instance, we were recently voted in the top three online retailers in South Africa.

I think we are well positioned to secure market share as more of our customers experience the convenience of online shopping and South African bandwidth increases. We are also lucky to have valuable skill-sharing with our Australian businesses such as the Country Road group, which re-

Woolworths has a market capitalisation of R74 billion, employs about 28 000 people, has 407 stores in South Africa alone, 63 stores in 11 other African countries, and has a proud heritage, being 83 years old on October 30. Jeremy Sampson speaks to *CEO Ian Moir*



Pic: Hetty Zantman, Financial Mail

Ian Moir... Our customers expect a lot from Woolworths, both in terms of product and the story behind it

mains ahead of the Australian market in online sales.

YOU HAVE BUILT TREMENDOUS LOYALTY, EVEN AFFECTION, FOR THE "WOOLIES" BRAND. WHAT IS THE KEY?

Woolworths is an amazing brand, and we are lucky to occupy such a special place in the hearts and minds of South Africans. I think people see that we live by our values, such as quality and style, integrity, sustainability, and an unwavering passion to serve our customers and delight them in everything we do.

Customers feel this and experience it every day, and that's the difference.

HOW DO YOU VIEW THE POTENTIAL CHALLENGE/ OPPORTUNITY IN AFRICA FOR WOOLWORTHS?

We see our expansion into sub-Saharan Africa as a huge growth opportunity for Woolworths. We've expanded significantly over the past few years and we currently have 63 stores in 13 African countries, as well as buying back many of our franchise stores in Botswana, Namibia, Ghana and other African countries. Some of the best growth per store is in our African stores, and East Africa is a significant growth opportunity for us, with strong performances in Kenya and Tanzania.

At the moment we're expanding in countries where we have an existing presence on the ground. This works for us, as we have already experienced and ironed out the teething problems in these countries. We want to give all of our customers the same fantastic Woolies experience, so we have done a lot of work on that in African countries to make sure we don't disappoint.

A MEGA INVESTMENT IN AUSTRALIA WITH THE ACQUISITION OF DAVID JONES – WHAT ARE THE MAIN DIFFERENCES BETWEEN THE AUSTRALIAN AND SOUTH AFRICAN MARKETPLACES?

David Jones and Woolworths are a natural fit: we appeal to the same high-end customers in both markets and have shared values.

Australia is a more advanced and competitive retail environment in some ways, but fortunately we have a long and successful history in that market with our Country Road, Trenery, Witchery and Mimco brands. This was a huge advantage for us, as when we acquired David Jones, we had the local knowledge and expertise to call on.

South Africa is such an exciting market, as we are seeing an ever-growing middle class with increasing disposable income. This has been particularly beneficial to our group when you look at the stellar sales of our Australian brands in the South African market, which have allowed our customers to cross-shop to a much greater extent than they otherwise might have done.

Each country has unique opportunities, risks and tastes – and what's great for our group is that we are now perfectly positioned to grow market share in both, and protect against incoming Northern Hemisphere retailers by leveraging our combined buying power, design capabilities and management expertise.

WHAT KEEPS YOU AWAKE AT NIGHT?

Complacency. I think most retailers tend to be "worriers", and I am no exception. I am passionate about making this business the absolute best it can be, and you can never rest on your laurels.

Right now I'm focusing on integrating the David Jones business and realising the benefits of scale we get from being one of the biggest retailers in the Southern Hemisphere, while making sure we maintain business as usual. The opportunities are huge.

YOU HAVE MADE A COUPLE OF HIGH-PROFILE APPOINTMENTS FROM MARKS & SPENCER, AND UK RETAIL GURU SIR STUART ROSE HAS JOINED YOUR BOARD. IS THIS SIGNALLING CLOSER TIES WITH M&S?

We've always had close ties with Marks & Spencer. We share the same customer profile and we operate in different territories, which helps us to share insights on products and trends without being competitive. It works well for both businesses. Stuart is a very experienced and seasoned retailer, with many years at the helm of Marks & Spencer. He really understands our business and he makes a very meaningful contribution to the Woolworths Holdings Board – we're lucky to have him!

WOOLWORTHS SEEMS TO ME ALMOST TARGETED BY CONSUMER/RELIGIOUS/CULTURAL GROUPS FROM TIME TO TIME. HOW DO YOU FEEL ABOUT THAT?

We have a huge responsibility as a company and a corporate citizen to live up to the Woolworths values I spoke about earlier. Our customers rightly hold us to those and care about how we do business. I think attracting attention is the natural consequence of being a successful and high-profile company in any market, and we encourage open and honest debate with all of our stakeholders.

With the advent of social media

and increasing amounts of consumer activism, I think all retailers are facing increased scrutiny, and sometimes outlandish allegations. Campaigners are savvy about publicising their work, and they know we will always do our best to answer their questions and concerns, so sometimes they will give us a harder time than our competitors, but we don't mind that.

We know we are the leader in many areas that matter to our customers, such as organic farming, economic development and cutting the amount of GMO in our food products, so we are happy to have those conversations and try always to engage in a constructive manner. We are very public about the importance of our Good Business Journey to creating a more sustainable South Africa, and we are extremely proud of the work of the Woolworths Trust and the charities it supports.

We can't please everybody, but we always listen to our customers and they, in turn, rely on us to do the right thing.

WOOLWORTHS HAS A STRONG RECORD FOR SUPPORTING ART AND DESIGN – HOW DOES THAT BENEFIT THE GROUP?

We get a lot of talent into the business through our support for art and design. We sponsor Design Indaba, for instance, where we've met talented designers who end up working with us for many years. It's where we met the Italian designer Massimo Vignelli, who worked on our brand refresh, which has been very successful. It has helped to position us as a modern and contemporary retail brand, and is our way of contributing to a vibrant design economy.

We have also employed some of the fashion designers who have worked with us through our collaboration with design students at the Cape Peninsula University of Technology and Kingston University in the UK.

Design and innovation is absolutely central to the Woolworths brand and we will do everything we can to continue to support it.

FROM A PERSONAL PERSPECTIVE, WHAT KEEPS YOU GROUNDED?

My family has been a solid foundation for me, and always reminds me what's important. Having four daughters between 18 and 23 means I have no difficulty in understanding my place in life, or a problem identifying where I have slipped up!

I SEE YOU HAVE ACCEPTED THE ICE-BUCKET CHALLENGE; WHAT DOES THAT SAY ABOUT YOU?

It was fun and our employees certainly seemed to enjoy watching our COO, Sam Ngumeni, throw cold water over my head! We donated R100 000 to the Cancer Association of South Africa and hopefully raised awareness at the same time.

ONE PERSON YOU PARTICULARLY ADMIRE?

It will take something quite exceptional to match the admiration I have for Nelson Mandela. One of the hardest things I've had to do at Woolworths is announce Madiba's death. Our employees spontaneously broke out in song – it was a surreal moment.

DO YOU HAVE A FAVOURITE BRAND YOU COULD NOT DO WITHOUT – APART FROM WOOLWORTHS?

I do like and admire Apple. I love the product innovation, the simplicity of design and the rather maverick approach of former CEO Steve Jobs. It has really set the benchmark, in many respects, and made our lives more convenient, which is never a bad thing!

Jeremy Sampson is the group executive chairman of Interbrand Sampson De Villiers.

TRENDS

LEAP OF FAITH

SA consumers are warming to the idea of online buying, but the challenge lies in converting this inclination into actual behaviour

Cara Bouwer

AN EXCITING NEW category was added to *The Times/Sowetan* Retail Survey in 2014, one which recognised Pick n Pay, Woolworths.co.za and Kalahari.com as the top achievers in the South African online retail space, in that order.

These three online stores stand out from the crowd in that they've convinced consumers to take the plunge and shop online. It may seem an obvious migration in an increasingly digital world, but, says Arthur Goldstuck, MD of technology market research firm World Wide Worx, converting a propensity for online buying into actual behaviour is challenging. To get this right, says Goldstuck, online retailers have to offer an indisputable value proposition. In layman's terms, this is the point at which "it makes so much sense to buy online that it would be silly not to".

For now, online retailers are constrained by the fact that of roughly 13.8 million South African internet users in 2013, only 4.6 million were highly active and experienced web users (up from 3.9 million in 2012), according to World Wide Worx. However, this situation is rapidly changing and the numbers are ex-

pected "to grow by well over a million a year" to 5.3 million in 2014 and 6.8 million in 2015.

This digitally savvy market is heavily skewed to the top third of South Africa's consumer society, where 38.2% of LSM 7-10 adults surf the net, according to the South African Audience Research Foundation's AMPS 2011 figures. It is also a market which shows tremendous online buying potential. Certainly, the 2014 MasterCard Online Shopping Behaviour Study, conducted with World Wide Worx, shows that 58% of survey respondents have used the internet for online shopping, an increase from 44% in 2009 and 53% in 2010.

However, Goldstuck warns, the percentage of people shopping online is actually falling. The MasterCard study shows that, in 2013, 69% of respondents made at least one purchase online in the three months prior to the research, down from 72.2% in 2012 and 79.3% in 2011.

"Both Pick n Pay and Kalahari have flattened significantly, which shows they aren't converting people; they are just relying on their existing customer base for sales," notes Goldstuck. "But both have been working hard to re-kickstart that engine."

He notes that Woolworths "has massive marketing drives and is very aggressive in social media. That's allowed it to maintain the growth path. But even it isn't convincing new consumers to shop online."

Certainly, this ties in with the findings of *The Times/Sowetan* Retail Survey 2014, which notes that just 3% of people surveyed use online retail stores. In the long term, however, it is a category which is expected to show explosive growth. Therefore, understanding the drivers of that growth is vital.

While affordable smartphone technology could be a game-changer, Goldstuck warns against getting too excited. "People have to get comfortable with online and it takes at least five years (a large proportion of users will take longer) for this to happen," he says. So people coming online now with new mobile devices are not likely to drive the market in the foreseeable future.

This is borne out by the findings of the MasterCard study, which noted that: "At 56%, more consumers in Kenya and Nigeria have shopped online via their mobile phones, or intend to, than elsewhere on the continent. [But] at 33%, South African consumers have the second-lowest inclination to shop online using a mobile phone, followed by 25% of Moroccans."

While being mindful of mobile's

long-term growth potential and strategising accordingly, online retailers should rather focus on bedding down important issues such as security and service. "Consumers want to shop online, but they are still nervous about doing so," Philip Panaino of MasterCard South Africa said at the release of the 2014 study. Secure payments were cited as critical by 90% of respondents, with 42% saying concerns around transaction security held them back from online shopping.

And there's another factor at play locally too: consumers still enjoy visiting the mall. In a 2014 interview with Moneyweb, Sarah Rice, head of marketing at Interactive Advertising Bureau South Africa, noted that while local consumers relied on both online and physical shopping platforms, more education into online was needed to grow that arm. She noted that South Africans were already using technology to inform buying decisions. A resource such as Price Check is a case in point, she said, noting how consumers would use the website to compare prices before going in-store to make purchases.

While many consumers haven't yet made the leap from online research to online buying, it's a positive trend for a sector which World Wide Worx projects will generate revenues of R6 billion in 2014, up from R4.4 billion in 2013 and R3.4 billion in 2012.

ENTICE SHOPPERS WITH FREE DELIVERY

When it comes to driving online shopping uptake by South Africans, research by World Wide Worx points to free delivery as a tool which companies can, and should, exploit. The technology research firm noted that 75% of local shoppers had highlighted free or minimal delivery charges as an area in need of improvement.

A new study by the Australian Retailers Association and ChannelAdvisor, an e-commerce solutions provider, points to a similar situation Down Under, with 65% of the 400 Australian retailers questioned having offered free shipping over the past 12 months.

Harnessing free delivery was noted by the researchers as a key marketing tool for online retailers, as were no-hassle returns and two-day or faster shipping.

These findings accord with the 2014 UPS Pulse of the Online Shopper Study in the United States, which found that 81% of online shoppers rated free shipping as important. Complimentary in-store pickups were also seen as an effective promotional tool.

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TRENDS

Andrew Gillingham

SEVERAL YEARS of real income increases have underpinned retail growth over the past few years, but this is having less impact in 2014 and retailers are seeing only modest growth in consumer spending.

Theresa Heath, retail analyst at Stanlib, says, in general, the retail market is more subdued than it was back in 2011/2012.

Since the recession there has been a massive growth in real income, mostly driven by government hiring, above-inflation wage increases (over 10% in real terms in some cases), and a huge increase in the numbers of social grants as well as generous increases in the amounts awarded.

Added to this has been the boom in unsecured credit and credit extension by many retailers.

"All of these factors are now coming to an end. Government is under pressure to cap its wage bill, grants will continue to be paid, but we are not likely to see the same growth in the number of recipients, and the real increase in grant amounts is likely to be much lower.

"The unsecured credit market has tightened considerably and African Bank's woes do not help. Therefore, the flow of money from credit has not been the enabler that it has been in the past," Heath says.

Another factor is that there is a lot more competition in the retail mar-

A MARKET SUBDUED

Yet consumers appear to be having the occasional splurge on categories such as fashion

ket, including foreign entrants offering attractive prices, and existing players have been seeking to improve their performance. Everyone has been fighting for a share of consumers' wallets.

Pick n Pay, under its new leadership, is flexing its muscles and becoming a more competitive force, and the same is true for Massmart's food retail operations.

"At the same time, while the picture is less positive for retailers, there isn't a consumer recession and retail sales are still growing in real terms. The market is cooling off, but there isn't a dip. However, in this environment, investors need to ask whether share prices are justified at their current valuations," Heath notes.

Turning to the future, she says job creation needs to pick up significantly to drive consumer spending, and there are no signs of this gaining traction at present.

"Employment is treading water at the moment. Government's budget is under pressure and ways of raising more tax are being considered. This adds to the pressure on consumers."

Moreover, fuel prices tend to have a significant impact on consumers' available cash and, with the present weak rand/dollar exchange rate, there is no relief in sight.

"There isn't a lot of positive news for consumers on the horizon, and this suggests retail sales will remain subdued," Heath adds.

Looking at specific retail sectors, she says that food sales are growing in the region of 7% to 9%.

At the same time, consumers appear to be pulling back on basics such as food, but they are having the occasional splurge on categories such as fashion.

"Consumers are mainly spending cash on their splurges and not using credit. As a result, cash sales in all of the retailers are increasing, includ-



Theresa Heath, retail analyst at Stanlib

ing Mr Price, Edcon (Edgars), Truworths and Foschini, compared to credit sales that are either static or even, in some cases, declining.

"Consumers are cutting back on their everyday spend, but treating themselves every so often, and apparel sales are holding up relatively well," Heath explains.

Building materials are also showing some strength as consumers opt for home improvements in the present sluggish residential property market.

She says the "red lipstick effect" is also evident. During tough economic

times, women, for example, tend to opt for red lipstick and shorter skirts. "People look for cheaper ways of updating their look."

She notes that Dis-Chem is trading well, as it is seen as a value retailer by consumers seeking to save money, and people are trading down into trusted lower-cost house brands such as those offered by Dis-Chem and Clicks.

Since about 2012, there has been a strong divergence among income groups and their ability to spend. Upper-income consumers are still able to spend, as illustrated by Woolworths Foods sales growing at 14% to 15%, compared to Shoprite's 8%.

The international trend towards "disposable fashion" is very evident in South Africa.

"Mr Price has a very nice niche position that appeals to all consumers. People are not necessarily 'trading down' in this context, but rather taking advantage of a fashion offer at a great price.

"People no longer think they will trade up when the economy improves, as they like the clothes and their ability to change their look each season. They keep going back and simply buy more when they are feeling cash-flush, a point supported by Mr Price's management, which says they tend to retain customers once they shop in the company's stores," Heath says.

TELECOMMUNICATIONS

AFFORDABLE AND ACCESSIBLE

Cellular customers are extending their trust in the PEP brand

Mark Sampson

IN THIS DAY and age when staying connected to friends, family and colleagues is so important, cellular handsets and airtime are easily available and much more affordable. This year's results in *The Times/Sowetan Retail Awards* have seen a slight shake-up from the previous year, with big players in the industry – MTN and Vodacom – being knocked down a notch by what some would consider an unexpected contender.

Having come third in the category in 2013, PEPcell hasn't necessarily appeared from nowhere, but this year it finds itself at No 1 for good reason.

Trends in the market indicate the need for cheaper and more accessible cellular merchandise for lower-end users, and this is where PEP is positioning itself. Gone are the days when cellphones were available only to more affluent users; with more choice in terms of suppliers and a wide variety of handsets, users across all LSMs are able to afford to stay connected.

Beyers van der Merwe, senior marketing manager of PEP, says the initiatives and campaigns of the clothing-turned-cellular provider are all focused on its customers, while maintaining its promise of being a trustworthy low-cost store. Understanding the customer is vital to the success of any company, and with the current economic climate, offering more for less is a winning formula.

"Always striving to make our customers look and feel good is very much part of PEP's credo," Van der Merwe says. Keeping communication with the market to-the-point and honest, with the right prices, is also an ongoing programme.

The results show that while PEPcell's rating increased from 58.99 to 65.77 year-on-year, the main growth has arisen from increased usage, from 12% in 2013 to 21% this year.

As with MTN and Vodacom, maintaining a presence in the market is always important, with the number of outlets across the coun-

try influencing awareness and usage. PEP has a strong national footprint, with 1 700 PEP stores and 280 PEPcell outlets. Convenience and accessibility play a key role in success, and the larger the footprint of the brand, the easier it is for customers to have access to what they want.

The in-house cellular store is nothing new, with the results indicating a number of other big retailers are also benefiting from the symbiotic relationship. Both Edgars and Woolworths have climbed significantly in the standings. Customers can do clothes shopping and, at the same time, get anything they require in terms of cellular needs.

With 49 years in the market, PEP has already established itself as a reputable brand, which consumers now associate with PEPcell. Over the years the trust it has earned with its loyal customers, by association, helps it to establish the same relationship as a cellular supplier.

According to Van der Merwe, PEPcell has embarked on some far-reaching advertising campaigns to establish the company as a cellular supplier. "The 'Win your Dream' campaign was very successful, with consumers entering to win their personal dream. At the end of its first season, over 8 million entries were received.

"PEPcell also did well by creating PEPclub, an in-house loyalty programme, which was well received by customers and allows us to interact better with them," he says. "These campaigns have done well to drive traffic to the stores, which creates awareness of the brand and increases revenue for both PEP and PEPcell."

Increased accessibility and decreasing prices for handsets and data are trends set to continue in the South African cellular market. With a variety of other big retailers using the same in-house cellular strategy, the telecommunications category promises to continue to be an exciting one to watch, where innovation and accessibility are winning over consumers and market share.



RACE TO THE TOP

Totalsports caters for the fact that South Africans love their sport

Andrew Gillingham

TOTALSPORTS is a contemporary brand that targets active, health-aware people who love sports. It has become one of South Africa's premier sports destinations and has won first place in the Specialist Sports and Outdoors category of this year's Retail Awards.

Carmen Garzouzie, brand head of Totalsports, says the company's stores carry a range of top-performance brands that are complemented with good activewear products for people who enjoy wellness, sport and an active lifestyle.

"Totalsports is an energetic and inspirational brand that provides an informed, professional in-store service environment. People know that when they visit one of our stores, they will find the latest innovation and technology provided by the leading brands. We are known for this in the marketplace and this is why customers trust us," Garzouzie says.

Totalsports' national footprint makes it very accessible to its customers, whether they are in the large cities or smaller communities. The company is also very active in promoting a variety of sporting events in South Africa. A good example of its approach is the Totalsports Ladies Race, which is run in Durban, Stellenbosch and Johannesburg each year.

"We run two of the events, namely those in Johannesburg and Stellenbosch, on Women's Day, and the Durban event is run within the same month. The events are awesome and the streets are lined with women wearing their pink Totalsports Ladies Race T-shirts.

"The race is designed to be accessible to everyone, so it is run

over 5km and 10km distances. We want to inspire people to reach their peak performance, and this is a level that is relative and real to each individual. The Totalsports Ladies Race is about people having a great day and enjoying themselves; it is a day of celebration with friends and family," she adds.

"Increasingly we are finding that while the focus remains on the sport, many of today's youth and new participants want to socialise with their friends while they engage in their sport. Today, sport is interactive. It is not just about the loneliness of the long-distance runner; it is about being youthful, interactive and close to your friends."

"Today, sport is interactive; it's not just about the loneliness of the long-distance runner"

She says another element is that an increasing number of sports participants want to look good while they engage in their favourite sports. Today, it is less about the old smelly sweats and more about making a sporting fashion statement that reflects the individual's taste and lifestyle. "They want to look good and perform well."

Garzouzie comments that this is an international trend that is reflected by the new products being launched by the leading global brands. Increasingly, sports and activewear offer style, fashion and colour.

Totalsports also plays host to the international franchise Xterra in South Africa.

"The Xterra event held in Grabouw at the beginning of every year is the largest Xterra event in the world. International athletes participate in the event; one of our brand ambassadors, Dan Hugo (also a brand ambassador for Puma), is an Xterra legend, and he holds the podium for the event," Garzouzie says.

The Xterra triathlons incorporate swimming, running and cycling. Events are also held in Buffelspoort and Knysna. "The Xterra events are for the more serious athletes, but we also have the Xterra Lite, which is more accessible in terms of the distances and is aimed at newer participants.

"We strike a balance between the hardcore, serious athletes who constantly want to push their limits, and the growing number of individuals who want to be active and healthy, while socialising with their friends," Garzouzie says.

Another important key to the Totalsports brand is that it caters for the fact that South Africans love sports and they want access to sports gear that features their favourite sporting teams.

Tough economic times, coupled with a weak rand/dollar exchange rate, have resulted in high double-digit inflation in the sports gear arena. "It is not a consumer-friendly environment at the moment and people are very focused on understanding the value equation when they are buying an item.

"Trust is also an imperative, as performance sports gear is a significant investment and people want the assurance that it is right for them," Garzouzie notes.

ENTERTAINMENT STORES

NEW WORLD, NEW APPROACH

Alf James

THE TIMES/SOWETAN Retail Awards Survey results indicate that bricks-and-mortar specialist entertainment stores are under threat, with this category declining from 43% use in 2013 to 35% in 2014.

Furthermore, 25% of people in the survey say they download music on their mobile device, and 14% of respondents claim to use an app store (Google Play, BlackBerry World or Apple App Store).

While these figures might not denote a major trend for online shopping, they do show that people are using the internet to procure entertainment, which is sure to impact on the bricks-and-mortar entertainment store.

According to Mike Wronski, managing director of social media and analytics firm Fuseware, today's connected consumer expects on-demand audio and video entertainment, and the internet is the most convenient and cost-effective place to access these forms of media. With international scalability and no bricks-and-mortar overheads, digital media companies such as Amazon and Apple have already disrupted traditional entertainment stores around the world.

In 2013 SAS and Verdict Research reported that the home entertainment sector in the UK would be a big loser, with declines in books, news and stationery of 2.8%, and a steep fall of 6.3% in music and video,

Entertainment stores will need to leverage the digital revolution

due to the lure of online.

"Customers continue to eschew the high street in favour of the cheaper online channel. This will result in further consolidation in bricks-and-mortar retail, with the last remaining specialist, HMV, likely to close further stores throughout the year," said the report, which forecast online to account for 80.1% of total music and video sales in 2013, and 97.7% by 2017, highlighting the bleak outlook for physical retailers.

"Every year the technology powering electronic media consumption gets better and more convenient, and the compression codecs become more efficient at streaming to low-bandwidth devices," Wronski says. "This is both a result and a driver of the increased demand from consumers. However, mobile entertainment consumption in South Africa still has some way to go, as data rates are still too expensive for the large majority of users to consume audiovisual content."

Mobile gaming has become one of the world's most lucrative new markets in recent years, he adds, and is a large portion of digital entertainment spend by consumers.

Content-specific apps, such as Kindle, Netflix and Soundcloud,



Mike Wronski, managing director of social media and analytics firm Fuseware

have been downloaded millions of times across the world, and are actively used by consumers to discover and consume all types of content on their mobile devices.

CEO of online retailer kalahari.com, Caren Genthner-Kappesz, comments that South Africa is following the international trend with regard to mobile shopping.

According to kalahari.com's annual Mobile and Tablet Survey, when it comes to shopping online, three things stand out for South Africans: 48% of kalahari.com cus-

tomers say it's more secure to shop online; 85% of kalahari.com customers shop online because it's more convenient to buy what they need wherever they are; and it's simply easier to check for prices online.

That's why shopping apps rank in the top 10 most downloaded apps, according to kalahari.com.

The South African 2014 MasterCard Online Shopping Behaviour Study found that 33% of those accessing the internet via mobile phone intend to shop using their device or have already done so, a

"Digital media companies such as Amazon and Apple have already disrupted traditional entertainment stores around the world"

jump of 9% from 2012. The likelihood of shopping online using a computer or tablet, or at a physical store, instead of a mobile phone, has declined by an average of 5%.

The MasterCard survey revealed that the most popular items purchased by those who've made a purchase using their phone in the last three months include mobile phone apps, music downloads, movie tickets, computer software and coupon/deal site offers.

Wronski says, just as the car replaced the horse-cart, the internet is superseding outdated business models with much better alternatives, which consumers are able to use in the way they want, when they want, wherever they want, at the touch of a button.

"Entertainment stores need to leverage the digital revolution, instead of trying to fight it, and explore opportunities to connect the convenience of digital entertainment with the tactile advantage stores have of being in the 'real world'," he says.

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LIQUOR STORES

A HAPPY RELATIONSHIP

The large Spar footprint plays a critical role in the success of Tops at Spar

Mark Sampson

TOPS AT SPAR, with its family-owned type of business attitude, has once again taken the No 1 spot in the Liquor Stores category of *The Times/Sowetan* Retail Awards. An increase from 64.20 to 66.23 from last year's results may not be that significant, but the 10% margin between it and its nearest competitor, Pick n Pay Liquor, is.

An obvious trend in the category is the winning formula of a positive relationship between grocery and liquor store, situated in close proximity of each other. Results from the survey place Shoprite, Pick n Pay and Spar in the top three spots of the Grocery Stores category, and their associated liquor outlet – Tops at Spar, Pick n Pay Liquor and Shoprite Liquor Shop – in the top three positions of the Liquor Stores category, in reverse order. In this fast-paced world, clearly the convenience factor is paying dividends.

Mark Robinson, group liquor manager for Tops at Spar, suggests that the large footprint of Spar across South Africa plays a big role in the success of Tops at

Spar. In almost 72% of locations where you find Super Spar, Kwik Spar or Spar, you will also find a Tops at Spar, meaning consumers need go no further to buy liquor. With a total of 612 Tops at Spar outlets across the country, the brand is present at all times.

The strength of the Spar brand is critical to the success of Tops at Spar, Robinson says, adding that the look and feel of the store nationwide are the same, irrespective of LSM.

He adds that the stores are specifically designed not to follow the traditional liquor store pattern; they are clean and unobtrusive to add to the experience, as well as the look and feel of the brand.

"The clean, friendly nature of our stores, linked with making it a fun experience for the consumer, is part of our strategy," he says. "We have a little bit of fun with our advertising campaign, and then carry that through into our stores to create an experience for the consumer."

A number of ongoing advertising campaigns, such as the "Drinktionary", have worked very well, Robinson explains. "It serves

as a way for us to engage with our consumers, and them with us, in a fun way. So we have intercommunication with our consumers, which helps to maintain the relationship and presence in the consumer's mind. Although the advertising and experience has a fun look and feel, we don't lose sight of the seriousness of alcohol use, and abuse, making sure we maintain integrity while selling alcohol.

"The 'Dryver' campaign is a case in point, as it gives consumers the opportunity to act responsibly if they have had 'one too many', and avoid drinking and driving. Due to the nature of the product, the entire industry is making a big push to create awareness and maintaining a responsible drinking culture," he adds.

"We have a little bit of fun with our advertising campaign, and then carry that through into our stores"



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